

# FISCAL NOTE

**Bill #:** SB0503

**Title:** Acquisition of hydroelectric generating facilities and associated water rights

**Primary Sponsor:** Ken Toole

**Status:** As Introduced

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|                   |      |                                 |      |
|-------------------|------|---------------------------------|------|
| Sponsor signature | Date | Chuck Swysgood, Budget Director | Date |
|-------------------|------|---------------------------------|------|

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## Fiscal Summary

|  | <u>FY2002<br/>Difference</u> | <u>FY2003<br/>Difference</u> |
|--|------------------------------|------------------------------|
| <b>Expenditures:</b>                       | 0                            | 0                            |
| <b>Revenue:</b>                            | 0                            | 0                            |
| <b>Net Impact on General Fund Balance:</b> | <b>0</b>                     | <b>0</b>                     |

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| <u>Yes</u> | <u>No</u> |                                  | <u>Yes</u> | <u>No</u> |                               |
|------------|-----------|----------------------------------|------------|-----------|-------------------------------|
| X          |           | Significant Local Gov. Impact    | X          |           | Technical Concerns            |
|            | X         | Included in the Executive Budget |            | X         | Significant Long-Term Impacts |
|            | X         | Dedicated Revenue Form Attached  |            | X         | Family Impact Form Attached   |

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## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Natural Resources and Conservation**

1. The cost to the Department of Natural Resources and Conservation (DNRC) of acquiring the hydroelectric generating facilities and associated water rights for those facilities formerly owned by the Montana Power Company, possibly including costs associated with condemnation proceedings, is unknown. The estimated cost would need to be determined as a result of an economic feasibility study that would include a determination of current market prices for hydroelectric generating facilities.
2. An organization would need to be created to administer, operate and maintain the hydroelectric facilities. The size, makeup and cost of such an organization is unknown and could only be estimated as a result of an economic feasibility study which could also provide information about the practicability of the state

operating such a system or contracting out the operation and maintenance. Presumably, existing operation and maintenance staff at the facilities would be retained at current costs which are unknown.

3. The revenue which would be generated from the sales of power generated by these hydroelectric generating facilities is unknown because purchased capacity and annual capacity factors, the essential components for revenue calculation are unknown.
4. Information regarding costs associated with the administration, operation and maintenance of the subject hydroelectric generating facilities may be in the possession of the Public Service Commission and has been requested, but because of time constraints, the DNRC has not received or critiqued that information.
5. Before the DNRC could condemn or take the hydroelectric generating facility and associated water rights, the department would need to show a more necessary public use.
6. Voter approval in the November 2002 general election would be necessary before bonds could be sold. Negotiations with current owners would need to take place, if unable to come to an agreement then the department could acquire the hydroelectric generating facilities and the associated water rights through a condemnation action.
7. The fiscal impacts of this legislation for the 2003 biennium would be involved with the general election in November 2002. It appears the Secretary of State will be able to absorb the election costs.
8. Fiscal impacts will occur if the voters approve the question asked by this legislation.

FISCAL IMPACT:

|  | <u>FY2002</u><br><u>Difference</u> | <u>FY2003</u><br><u>Difference</u> |
|--|------------------------------------|------------------------------------|
| <u>Expenditures:</u>   | 0                                  | 0                                  |
| <u>Funding:</u>  | 0                                  | 0                                  |
| <u>Revenues:</u>   | 0                                  | 0                                  |
| <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u> | 0                                  | 0                                  |

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

State-owned hydroelectric generating facilities may be tax exempt thereby reducing the tax base and associated revenues currently realized by counties, municipalities, school districts or other political subdivisions of the state.

LONG-RANGE IMPACTS:

Should the state become the owners of the hydroelectric generating facilities and the associated water rights, political subdivisions where these facilities are located will experience the lose of their tax base which may cause the state to reimburse for those lost revenues.

TECHNICAL NOTES:

1. An economic feasibility study is necessary to determine purchasable capacity, annual power generation and sales, and operational costs in order to estimate probable power sales rates and fiscal impacts to the state. Such a study has not been conducted by the DNRC.